

## HISTORY OF CO-OPERATION–THE SOURCE

Co-operatives have existed in one form or another since ancient China and Babylon.

Although the modern principles of co-operation were first formulated in the first half of the nineteenth century, its historical roots lie in the village life of rural Europe over the millenia preceding the industrial revolution.

Co-operation, then, is an ideal which pre-dates the current economic belief that maximum productive efficiency can best be achieved through competitive interaction for profit. The co-operative ideal harks back to that of the organic community with people living and working together in closely-knit rural villages.

Modern co-operation began in England as a response by common people to the economic anarchy which prevailed at the outset of the industrial revolution. It was an age when the competitive pressures of the market place were totally unfettered, so as failure meant utter ruin, unemployment meant starvation, and dissent meant beatings, imprisonment, transportation or the gallows. It was in this crucible that co-operation emerged.

A British industrialist, Robert Owen, was prominent in developing the philosophic concepts of mutual aid through co-operation. He saw labour as the source of wealth and believed that if people would co-operate rather than compete in the production of wealth, it would be possible to achieve reasonable abundance for all, to put an end to national as well as individual rivalries and thereby institute a world order of peace and universal well being.

At his New Lanark mill on the banks of the River Clyde, Owen, in 1800, attempted to put his utopian vision of a new moral order into practice. He introduced restricted hours, fair wages, job security and free education, in the process creating a successful model industrial community with himself as the model employer.

With the failure of England's 1832 Reform Act to give workers the vote, trade unionism and co-operation grew rapidly in tandem. A "general union" of the entire working class became a goal. It was envisaged that this union would control production and trade through the use of worker-owned, producer co-operatives and co-operative stores trading in the products of the producer co-operatives.

At this time, a large number of producer co-operatives and stores were founded, mainly by workers who were in dispute with their employers about wages and conditions. A National Equitable Labour Exchange was established in London at which the products of these producer co-operatives could be exchanged at values determined by the "labour time" put into each item's production. Other exchanges quickly followed in Liverpool, Birmingham and Glasgow.

The first financially successful co-operative in the world was begun in 1844 by a group of workers in Rochdale, a grimy industrial town in the heart of England's manufacturing area. After yet another unsuccessful strike, 28 weavers including one woman, decided to set up a co-operative store to help them through hard times. They drafted eleven principles of operation, which became the forerunners to the current internationally accepted six principles of co-operation. They raised capital by each member contributing one pound over a period of several months. Finally, they rented a tiny store on Toad Lane and the Rochdale Equitable Pioneers were in business.

Many of the weavers did not know how to read or write, but they recognised education as important to the success of their venture. They entrenched the need to provide education as one of their operating principles, and as a first step ensured that every member understood their operating principles.

Their shop flourished where other ventures had failed due to the unique device of paying both a limited interest on capital and a further dividend to members on the basis of their patronage of their store. By 1875, the Rochdale Pioneers had 8,415 members and their funds were 225,682 pounds sterling.

Despite the success of the Rochdale store and the export of its principles throughout England and Europe, the co-operative movement faltered and split during the 1840's.

Producer co-operatives came under attack by employers and government, particularly after the appearance of the Grand National Consolidated Trades Union. Strikes were met by lock-outs and demands by employers that workers sign a document renouncing membership of the Grand National Union.

The original vision of a co-operative society of "labouring capitalists, not labourers and capitalists" faded away. In the workplace, co-operation as an alternative became wholly replaced by the struggle to form trade unions.

The co-operative trading store branch of the movement, however, went on from strength to strength. The success of the Rochdale Pioneers heartened Christian socialists in both England and Europe. They saw the co-operative ideal as a system of self-help which would remove poverty, improve character and reduce evil.

In Germany, pioneers such as Friedrich Raiffeisen sought to establish "people's banks" on philanthropic and Christian principles. He established the first credit co-operative known in 1864. By the time of his death in 1888, there were 425 credit co-operatives in Germany and they had spread throughout France and Italy.

## CO-OPERATION COMES TO AUSTRALIA

Co-operative development in this country has followed the pattern of Australia's natural resource and social development.

The earliest needs were to produce and distribute food. By the mid-19th century, the early settlers were adapting English co-operative structures to aid food production and distribution, as not surprisingly, much attention was paid to developments back "home."

Formation of these co-operatives was spurred by a need for orderly marketing and what the Victorian Producers Co-operative was to describe on its establishment in 1910 as a desire by farmers to escape "the tyrannical conditions imposed on them by middle men in the sale of their produce and purchase of their requirement".

With the development of mining and manufacturing, workers and artisans began industrial co-operatives as a means of ensuring for themselves decent wages.

Defeated in a coal strike in 1861, New South Wales miners in the northern coalfields started their own co-operative colliery. This started a long and, mainly unsuccessful, association between the miners unions and co-operatives in NSW and Victoria. As in England, it involved not only attempts to control the means of production but also the methods of distribution. Early in this century, striking miners in towns as far apart as Broken Hill and Wonthaggi set up co-operative stores. In 1925, the first national conference of the Miners' Federation of Australia went so far as to invest the princely sum of two thousand pounds in the Co-operative Wholesale Society of NSW.

With a vision which would seem sadly lacking today, artisans during the mid-19th century sought not just to influence, but to control, their wages and conditions. In 1850, Victorian stonemasons, supported by their union, formed a co-operative which sought out contracts, paid decent wages and distributed any surplus equally among members. Their success led to the establishment of two further stonemasons' co-operatives and a co-operative for carpenters. In 1867 a co-operative was successful in securing the Victorian Government contract for building a jail in Coburg. The Age newspaper began as a co-operative in the late fifties, prior to its takeover by David Syme and his brother.

As in England, trade unions demonstrated an interest in co-operatives from the start. At the first International Trade Union Congress in Sydney in 1879, the secretary advocated the adoption of co-operation as an alternative method of organising production.

A forerunner to the Australian Labor Party, the Australian Socialist League, adopted as its objective in the 1890s the Owenite dream of establishing "a co-operative commonwealth founded on the collective

ownership of the land and means of production, distribution and exchange". It was in pursuit of this dream that William Lane and his band of settlers sailed in 1893 to South America to begin a New Australia based on the co-operative commonwealth ideal. Twenty thousand pounds capital was raised and 450,000 acres of land bought in Paraguay through Lane's New Australia Co-operative Settlement Association. Despite this impressive capital and land backing, the settlers proved unable to sustain a common vision once confronted with Paraguay's primitive conditions. Most returned to Australia within a few years.

An early example of co-operation among co-operatives was the formation of a national, agricultural Wholesale Producers Co-operative marketing body, which arose as an outcome of the first Australian Conference of co-operatives in 1919. There was a long gap until the second Australian Conference in 1945 at which the Co-operative Federation of Australia was formed.

## CO-OPERATION ABROAD

By the end of the nineteenth century, the co-operative movement had spread throughout Western Europe and had grown into virtually every sector of the economy—food, finance, agriculture, housing, insurance. Ironically, it was now only noticeably absent from those very mills and factories from which it had first sprung in England.

To spread co-operation throughout the world, the International Co-operative Alliance was formed in London in 1895. Not only does it provide aid in the development of new types of co-operatives, it is the ultimate expression of the sixth principle of co-operation—that is assisting co-operation among co-operatives.

Today, co-operatives are found on every continent. In terms of membership and numbers of co-operatives, the predominant types of co-operatives are agricultural, consumer, credit, housing, industrial and fishery. Statistics issued by the International Co-operative Alliance in 1983 claim a world-wide strength of 680,612 co-operatives with a total membership of 364,239,730 and a total turnover of \$595,009 million, (See Appendix B for further information).

Recognition and support for the development of the co-operative movement as an instrument of economic and social development has come from the United Nations through a number of resolutions adopted by the General Assembly, the Economic and Social Council, FAO, UNESCO and UNCTAD. The ICA holds Category A consultative status with the United Nations and serves on many of its agency activities. The International Labor Organisation, for instance, has recognised since its inception in 1919 that co-operatives, whatever form they take, raise living standards and increase employment opportunities.

While the following sections on features of co-operative movements in some selected countries highlight the potential for development in Australia, social, cultural, economic and political differences need to be kept in mind. What works somewhere else may require substantial adaptation before it is relevant to Australian society.

### Canada

Co-operatives are well co-ordinated, have a high profile and enjoy government support.

There is one central national organisation, the Co-operative Union of Canada, to which all types of co-operatives are affiliated. A national Co-operative College has been established by the co-operatives themselves. Some universities in Canada provide tertiary level studies in co-operation.

In one province, Saskatchewan, co-operatives have their own Minister and government department responsible for co-operative promotion, organisation, development and supervision.

To assist in the financing of co-operatives, a Co-operative Finance Trust has been set up by credit and agricultural co-operatives with additional funds from the Co-operative Bank (DG) of West Germany.

### **France**

Co-operatives in France have regional federations by type which have united into national federations, each directly affiliated to the International Co-operative Alliance. Educational and advisory services are delivered through the federations.

The University of Paris has a Chair of Co-operation and courses on co-operation exist in regional universities.

A co-operative bank was set up in 1983, which is governed by a general assembly where member co-operatives have one vote per 50 members and a maximum of 50 votes.

### **West Germany**

The Co-operative Law of Germany proclaimed in 1889, stipulates that every registered co-operative must belong to a co-operative union authorised to conduct audits of co-operatives. Government supervision is concerned with annual balance sheets, asset position, management and organisation of the co-operative. Supervision of business operations, and internal and external audit are the responsibility of the non-government co-operative unions who are required to report to the relevant Ministries. The unions are organised on a three tier system, local, regional and national.

The Peoples' Banks (consumer credit) and Raiffeisen Banks (farmer co-operative banks) have the most extensive banking network in West Germany. With the merger of the industrial and agricultural co-operative sectors a full banking licence was given to the Co-operative Bank (DG) which is now the third largest bank in Germany.

Each regional co-operative union has its own co-operative school. At the national level two first class co-operative colleges operate financed entirely by the co-operative movement with courses provided on a fee paying basis. In addition, four Universities have set up special co-operative institutions specifically to carry out research.

### **Israel**

The closely integrated labour co-operative sector of Israel, the Histradut, conducts about two thirds of Israel's agriculture, building and public

works, industry and crafts, transport, communications, maritime industry, insurance and audit as well as some public services.

Israel has its own internationally recognised co-operative training institution.

### **Italy**

In 1982, there were 135,000 co-operatives, whose annual turnover comprised 10% of the national economic output.

The co-operative movement in Italy is split into three federations representing political factions on the left, centre and right, each having membership from consumer, agriculture, worker, housing and credit co-operatives.

Worker co-operatives predominate and include a number of large factories. Worker co-operatives benefit from a tripartite alliance of unions, government and co-operative associations. All three federations maintain representatives in the trade union movement.

During 1978-1980, the largest federation, La Lega undertook a three-year strategy to enhance co-operative development. The major emphasis was to stimulate co-operation between sectors in order to consolidate their economic base. Close links were developed with government through preferential contracts for goods and services. Much of the success of Lega co-operatives in the last few years has been attributed to the overseas contracts it has arranged for co-operatives or consortia of co-operatives as well as the strong trade union links the Lega has formed. There is also a large success rate with conversion co-operatives.

A unique feature are the land co-operatives, whereby farmers pool on a co-operative basis such factors of agricultural production as machinery, crops and management services.

### **Mondragon, Spain**

The largest concentration of co-operatives in the world is found in the Basque region of Mondragon in Spain. Mondragon provides an example of co-operative structures covering every aspect of life from cradle to grave.

The powerhouses of the system are the 89 industrial or worker co-operatives employing over 18,000 people. They are supported by and interlinked with their own central bank and research centre. Businesses experiencing difficulties can rely on an analysis from the bank as to where they are going wrong.

Education is given a high priority. There are co-operative schools and a co-operative university. Unemployment is minimised by the provision of

retraining for workers in co-operatives facing declining production or closure.

Housing is constructed and run co-operatively. Mondragon even has a co-operatively run social security system.

### **Poland**

Operating within a centrally planned economy, Polish co-operatives play a pivotal role in providing workers, farmers and consumers with control over the means of production. In schools, co-operatives formed by the students are a major feature of the education system.

### **Sweden**

Taken together, the Scandinavian countries comprise the most highly developed co-operative movement in the world.

In Sweden, co-operatives have long been recognised as providing a middle way between public and private enterprise.

Co-operatives are strongest in the consumer field with policies of providing rebates at the point of sale and development of co-operatives in commodity areas which have exhibited monopolistic tendencies.

The consumer co-operatives and agricultural co-operatives each have their own co-operative education and training institutions. Great emphasis is placed on member relations with co-operative discussion groups occurring in most communities.

Building unions were instrumental in establishing an extensive, housing co-operative movement.